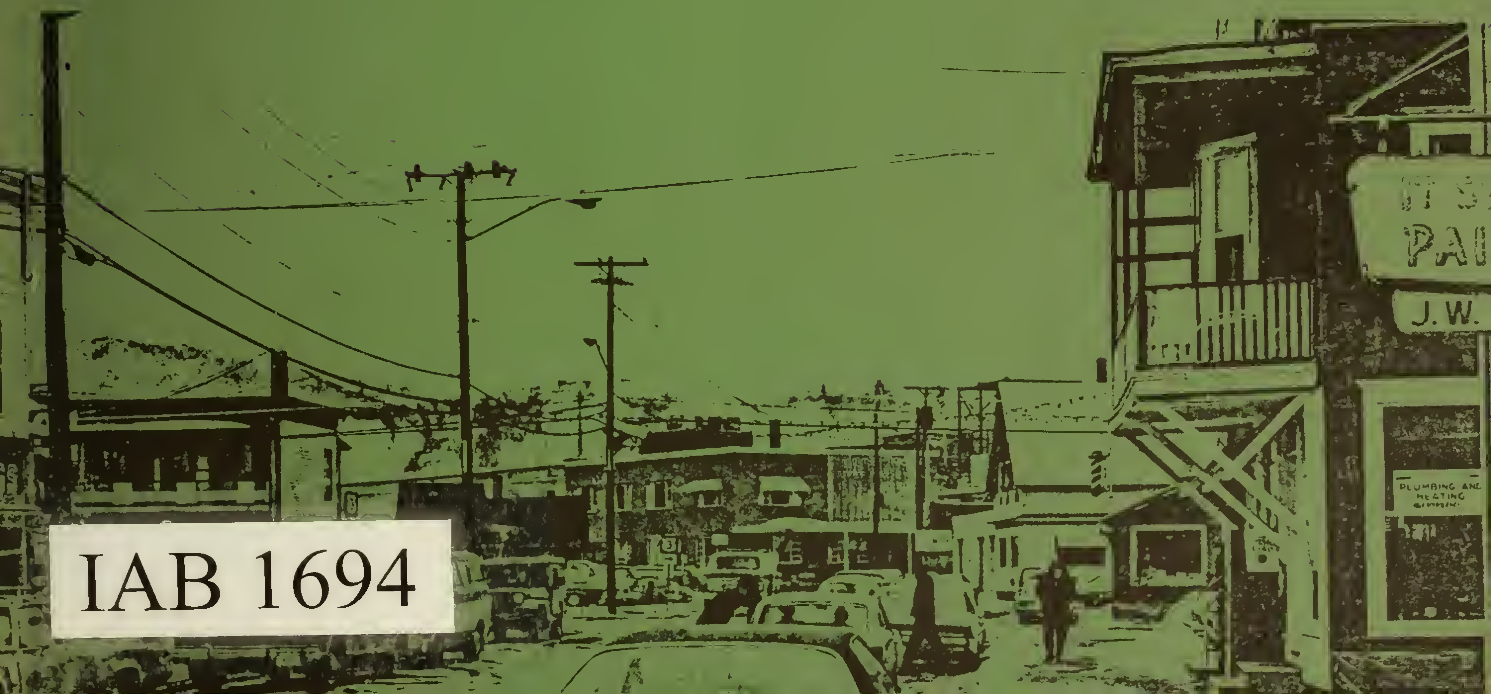
The White House

RURAL DEVELOPMENT INITIATIVES

IMPROVING TRANSPORTATION IN RURAL AMERICA

JUNE 1979



Over the past year five White House Rural Development Initiatives have Been prepared and announced. These initiatives begin to address the priority concerns of rural Americans as we learned about them from small town leaders from all across the country. In important respects the five previous initiatives all address the fundamental questions of overcoming the problems of rural isolation and increasing access by rural Americans to their government, to the work place, to markets, to their friends, to essential human services. Those initiatives began to deal with accessible rural health care, increased elderly congregate housing, streamlined water and sewer programs, improved rural communications, and expanded development of alternate rural energy sources.

This sixth announcement in the series deals directly with ways to overcome isolation by improving transportation in rural America. As with all our earlier efforts, this new initiative is designed to build on local ideas and locally defined priorities. Only in that way can we achieve the goal I set for my Administration when I took office two and one-half years ago: to ensure that the federal government would help promote rural development and would help to overcome the problems that we share and make sure that there is a full partnership between Washington and the rest of the country in meeting the needs of small town and rural America.

Jimmy Carter

IMPROVING TRANSPORTATION IN RURAL AMERICA

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I. Introduction

In his written 1979 State of the Union Message, President Carter emphasized the need and the resolve of this Administration to address the problems of small town and rural America. In the Message, he pledged to articulate a policy framework and to take specific actions during the year to:

- overcome the problems of rural isolation;
- promote rural economic development;
- meet the essential social service needs of rural Americans;
- protect the quality of rural life;
- assure equity for rural Americans in the administration of federal programs; and
- build a more effective partnership among federal, state, and local governments and the private sector in meeting locally-defined rural development priorities.

This Presidential commitment is made within the context of a series of White House Rural Development Initiatives undertaken over the past year to deal with pressing rural concerns. Over the past six months, major announcements have been made under the Initiatives Program dealing with rural health care, rural water and sewer programs, rural communications, rural elderly congregate housing, and rural energy. Other initiatives are underway in the areas of credit and economic development.

These transportation initiatives are part of the same effort. They are designed to help rural and small town residents to overcome the problems of isolation, gain full access to essential human services, and meet the transportation requirements of healthy, growing economies.

Emphasis has been placed on improvements in the coordination and delivery of federal programs, and on making these programs more accessible and more workable for the more than 50 million people living in the non-metro areas of our country.

Included in these initiatives are:

- agreements and actions to improve the coordination and effectiveness of social service and public transportation programs in rural areas;

- assistance for the rehabilitation of essential railroad branchlines (branchlines given high priority in state rail plans);

- assistance to commuter airlines wanting to enter rural markets, and to small community airports to install or upgrade facilities needed to support or attract air service; and

- a series of actions to promote increased vanpooling and other forms of ridesharing in rural areas.

Approximately 34 percent of the U.S. population (some 85 million people) and 52 percent of the nation's poor live outside metropolitan areas. Many of these rural residents--especially the rural poor, elderly, handicapped, and young--are isolated and immobile, and face extreme difficulties in gaining access to jobs, health care, social services, shopping, recreation, and friends. The rural mobility problem is compounded by the simple fact of long travel distances and, consequently, high travel costs.

The problem is strikingly portrayed by the following statistics:

- 15 percent of rural households, 57 percent of the rural poor, and 45 percent of the rural elderly do not own an automobile; 52 percent own only a single automobile, which means that other family members are "left behind" when the breadwinner uses the family car to travel to and from work;

- ° only 31 percent of the nation's 20,000 towns with a population of 50,000 or less are served by a public transit system;
- ° less than one percent of rural persons working outside the home use or have access to public transportation to get to work;
- ° intercity bus lines serve only about half of the nation's towns of 50,000 or less; since 1972, 1800 small towns have lost intercity bus lines;
- ° regulated air service carriers have dropped nearly 200 service points (30 percent of the total served in 1960) in the last 20 years;
- ° an estimated 60 percent of places less than 2500 population have no taxi service; and
- ° rural residents must travel farther than their urban counterparts to gain access to medical care and essential social services--for example, 20 percent of rural residents as compared to 10 percent of urban residents must travel more than half hour to medical care.

While the initiatives described herein obviously do not by themselves represent a cure-all for the acute transportation problems facing many of the nation's small towns and rural areas, they do represent significant efforts to make existing programs and resources work more effectively. These initiatives will be followed by others in a continuing series of efforts to solve serious and longstanding rural transportation problems.

II. Social Service and Public Transportation

While rural public transportation is still in its infancy, passage of the Nonurbanized Public Transportation Program (Section 18) as a part of the Surface Transportation Assistance Act of 1978 marks the coming of age of rural public transportation. Section 18 moves rural transit out of the research and demonstration phase--under FHWA's Rural Public Transportation Demonstration Program (Section 147), over 100 two-year demonstration projects were funded at a total cost of $25 million--with a clear legislative mandate to develop an ongoing program that provides operating as well as capital, administrative, and technical assistance.

Most expenditures for rural transportation in recent years have addressed the need to get clients of social service programs to service centers in rural areas. As a result, an array of federal programs evolved to provide specialized transportation services, and a large proportion of funds for local rural passenger transportation is still provided by social service agencies. A 1977 GAO report identified 114 different federal programs that provide transportation assistance in rural areas. Of these 114 programs, 65 are funded by HEW agencies at an estimated national cost of $500 million per year. Prior to the passage of the new Section 18 program, DOT funds for rural public transportation were provided through three DOT Programs: UMTA's Capital Assistance Program for Public Agencies (Section 3); UMTA's Capital Assistance Program for Private Nonprofit Corporations (Section 16(b)(2)); and FHWA's Section 147 Demonstration Program (referred to above). Through fiscal year 1978, approximately $44 million was made available to rural transportation providers through the two UMTA programs. Fiscal year 1979 funding for the new Section 18 program is $75 million.

It is widely recognized that the numerous programs that fund social service and public transportation are often duplicative and excessively categorical, and that effective coordination of these programs at the State and local level offers a great potential for providing better service to more rural residents at existing funding levels.

It was in the context of this array of separately administered programs--and clear rural needs--that this White House Initiative was undertaken. Throughout, special attention was given to the following:

- given the great diversity of conditions and institutions in rural America, what "works" in one place might not be appropriate somewhere else;

- volunteers, nonprofit organizations, charities, taxi companies, and other nongovernmental organizations play key roles in the present day provision of social service transportation and these roles should be recognized and promoted;

- DOT's new Section 18 program--which provides $75 million to the states for the capital and, for the first time, operating expenses of rural service providers--offers a unique opportunity to improve coordination and enhance services among the numerous programs which provide transportation assistance; and

- great opportunities exist to improve both the scope and quality of federally-supported rural transportation by linking programs to each other, removing administrative or regulatory barriers to coordination, and taking affirmative steps to support such collaboration at the service provider, state agency, and federal agency levels.

Based on site visits of top Administration officials with local transportation officials throughout the country and extensive consultations with elected officials and rural interest groups, actions are being taken to improve local rural transportation through:

- increasing the availability of needed transportation resources;

- improving the delivery and effectiveness of local transportation programs through better coordination and simplification of administrative procedures;

- resolving the difficult problems of relating statutorily mandated (Section 13(c)) labor protection provisions to transportation systems receiving Section 18 funds;

- initiating specific actions to make insurance more available, flexible, and affordable for social service and public transportation providers; and

- improving and coordinating federal technical assistance and training programs.

The specific actions taken in each of these areas are described below.

Increasing the Availability of Resources

- For the purpose of providing trained CETA workers to public transportation systems funded under the Section 18 program and to social service systems which are coordinated with them, DOL will:

  -- provide up to 1,500 slots during fiscal years 1979 and 1980 for placement in rural transportation systems in 13 demonstration states (Alabama, Arkansas, North Carolina, West Virginia, Kentucky, Vermont, New Hampshire, Iowa, Michigan, Colorado, Oregon, Florida, Washington);

  -- utilize training materials jointly provided by DOT and HEW and contract with one or more appropriate organizations to train the CETA workers (as drivers, mechanics, dispatchers, etc.); and

  -- work with balance-of-state prime sponsors to develop and encourage programs for the effective utilization of state CETA resources in Section 18-funded and coordinated transportation systems, and contract with the National Governors' Association to organize national and regional workshops to further this end.

- For the purpose of providing volunteers to public transportation systems funded under the Section 18 program and to social service systems which are coordinated with them, ACTION will:

  -- include in its program procedures for volunteers some mechanism for highlighting transportation relevant experience;

  -- utilize training materials jointly developed by DOT and HEW and utilize, where appropriate, training facilities established by DOL for the training of CETA workers; and

  -- provide information on the potential role for, and availability of, volunteers in transportation services to the other signatories of this agreement on a regular basis.

- FmHA will make long-term, low-interest loans available on a priority basis to local transportation providers who operate and/or are coordinated with a Section 18 system.

- CSA will provide fiscal year 1980 and 1981 funds for additional training and technical assistance, management systems, and program support for CAAs which operate and/or are coordinated with Section 18 systems.

- UMTA will, on a competitive basis, continue to make available to rural areas funds from its Section 3 and Section 16(b)(2) capital assistance programs, provided that the state demonstrates that its original allocation of Section 18 funds is inadequate to meet probable capital needs.

- GSA will notify FHWA Regional Offices on a regular basis of the availability of vans and other equipment suitable for use in the rural public transportation programs, and will give FHWA requests for available vehicles every possible consideration under current statutory authority.

- HEW, CSA, and ACTION will undertake special measures to assure a continuation of current transportation funding levels to small urban and rural areas. In those federal agencies which share assistance programming with states, these measures shall be effected through active encouragement with state and local counterparts to maintain current spending levels for transportation services.

- Each of the above agencies will assess which of its funding programs may be used as match for other federal grant-in-aid programs. From this information, DOT will compile a list of unrestricted funding sources for distribution to the states and all relevant federal field offices.

Coordination and Administrative Simplification

- HEW, CSA, and ACTION will issue policy memoranda and otherwise encourage those grantees currently operating transportation services to participate in coordinated efforts to form the basis by which general rural public transportation services can be structured.

- Those social service agencies which now purchase transportation will be encouraged to coordinate with rural operators funded under Section 18 by establishing supportive relationships wherever it is more cost efficient and service effective to do so.

- A task force composed of representatives from HEW, DOT, OMB, and 7 selected states (Arkansas, North Carolina, Iowa, Michigan, New Hampshire, Colorado, Tennessee) will be established to develop simplified and standardized accounting, reporting, and billing procedures for use in social service/public transportation programs, and will work with the six selected states to implement and test these procedures in the first phase of a nationwide effort to dramatically simplify the paperwork and other administrative burdens associated with the current accounting, reporting, and billing requirements of federal and state social service agencies.

- The signatories to the Memorandum of Understanding contained in Section V (pages 24 - 29) will assign senior representatives to an Interagency Transportation Coordination Committee to facilitate and monitor the implementation of the agreements contained herein.

Application of Section 13(c) Labor Protection Provisions to Transportation Programs Funded Under Section 18

The text of the agreement reached by DOL and DOT for applying Section 13(c) labor protection requirements to rural public transportation providers funded by the Section 18 program--an agreement which involves special warranty and waiver procedures--is provided on pages 30 - 36.

The agreement has resulted not only from long negotiations between the two agencies but also from extensive consultations with labor unions, rural public interest groups, state officials, rural transportation providers, and others. Throughout, the objective was to develop procedures which meet the requirements of law and which are suited to rural circumstances and needs.

The agreement provides for:

- an expedited waiver procedure; and

- in those cases where a waiver has not been granted, a state certification of compliance (warranty) procedure which eliminates the traditional prior-review of all applications by DOL and permits the immediate flow of funds.

Because of the highly technical nature of the agreement, officials from DOL and DOT will explain the new warranty and waiver procedures in conferences and training sessions held throughout the country to implement the Section 18 program, and will be available to provide detailed assistance

to interested parties. Experience in the use of these warranty and waiver procedures may well suggest ways in which the language or approach can be improved, while still meeting the statutory mandate. Both DOT and DOL will annually assess the application of the provisions and will adapt the procedures, if necessary.

Insurance Availability, Flexibility, and Affordability

On January 23, 1979, the White House and the National Governors' Association co-hosted a conference at the White House to define and find solutions to insurance problems confronting the providers of social service and public transportation. The meeting was attended by representatives of the Insurance Service Office, the three insurance trade associations, state regulatory associations, several federal agencies, relevant Congressional committees, transportation providers, and the academic research community.

Insurance has been a major problem for many social service and public transportation providers. High rates, cancellations, limitations on ridership and vehicle use, and an inability even to purchase insurance are commonly encountered problems. At the root of the problem are state laws and regulatory practices which were written before the emergence in the last 10-15 years of a wide variety of new institutions and approaches for providing social service and public transportation--institutions and approaches which cannot be fitted under the traditional classification of "for hire" or "private carriage," and which do not enjoy the kinds of immunities from regulatory and common law once enjoyed by governments and charitable organizations.

Based on recommendations developed at the conference, the following actions are being taken to improve the availability, flexibility, and affordability of insurance for social service and public transportation providers:

State Initiatives

The National Governors' Association (NGA) will work with the relevant state associations (National Association of Insurance Commissioners, NAIC; National Association of Regulatory Utility

Commissioners, NARUC; National Association of Attorney Generals, NAAG; National Conference of State Legislatures, NCSL; among others) and representatives from the Insurance Services Offices (ISO), the insurance trade associations, and HEW and DOT to accomplish the following:

° By September 1, 1979, model state legislation will be developed to give legal recognition to the new forms of social and public transportation, with proposals for expanding the traditional "for hire"/"private carriage" classification and for modifying state regulatory laws, financial responsibility laws, and licensing procedures to accommodate the new classifications.

° By October 1, 1979, model state legislation will be developed to modify the collateral sources doctrine (which disallows as court evidence the fact that injury claims have been satisfied by one or more other sources) and to prevent duplicate government payments; (e.g., payments from Medicare, Medicaid, and transportation insurance purchased with government funds for the same injury).

° By January 1, 1980, model state legislation will be developed to compensate for gaps and deficiencies in passenger coverage afforded by existing laws and regulations (e.g., to provide coverage for passenger assistance outside the vehicle and coverage when another vehicle is at fault).

<u>Insurance Industry Initiatives</u>

° On April 1, 1979, a new classification scheme for new forms of social service and public transportation programs, developed by ISO, was filed with the insurance commissioner in each state; this new classification will facilitate the collection of statistical data for rate setting and ensure that transportation programs are properly classified.

- On April 1, 1979, a new insurance program was filed by the industry to cover volunteers and agency employees who use their own vehicles to transport social service clients; coverage is provided for both the agencies and volunteers/employees and is excess over existing insurance coverage.

- By June 30, 1980, the traditional vehicle use classification will be modified to expedite the sharing of vehicles by different programs and agencies and to allow use of part-time providers.

- By June 30, 1980, an alternative rate basis will be developed to facilitate the multiple use of vehicles including those loaned or leased to public or charitable agencies by individuals, companies, and organizations.

Federal Government Initiatives

- By September 30, 1979, a report will be submitted by HEW on the problem of duplicate government payments for injuries, with recommendations for providing the most efficient form of passenger protection without duplicate government payments for the same injury (to be developed in consultation with VA, the insurance industry, and relevant state associations).

- By October 31, 1979, an evaluation will be completed by DOT and HEW on the feasibility of establishing a publicly and/or privately owned captive or group insurance program (to be developed in consultation with NAIC and the insurance industry).

- By October 31, 1979, HEW and DOT will complete a joint agency insurance procurement, driver training, and risk management handbook for broad distribution to social service and public transportation providers.

Technical Assistance and Training

- DOT, HEW, and other involved agencies will assess their current technical assistance programs dealing with rural public transportation, and will develop a new set of initiatives to deal with the gaps identified.

- Conferences for state and local officials and others responsible for rural transportation programs will be sponsored by each Federal Regional Council to discuss and facilitate the implementation of the above initiatives; these conferences will be held during the summer and fall of 1979 and will involve the participation of the White House and representatives from all of the agencies participating in the interagency rural transportation coordinating committee.

- DOT, HEW, DOL, and ACTION will cooperate in a special effort to integrate available training materials for use in training CETA and ACTION volunteers assigned to Section 18 programs.

III. Commuter Air Service

Air transportation is often an important factor influencing the growth and development of America's smaller communities. Not only do airlines transport people for business and pleasure, they also carry important parcels and goods and provide timely access to remote supply and commercial services. Companies have consistently listed the availability of an airport among the top criteria for selecting new plant locations, and the majority of leading U.S. firms would not locate a plant in an area lacking an airport.

Trunk and local air service to America's small communities has declined steadily since 1960. Despite efforts to reverse this trend, regulated carriers have dropped service to nearly 200 communities (30 percent of the total served in 1960) in the last 20 years. Fortunately, the loss of regulated air service does not necessarily mean the loss of commercial air transportation. More than 200 commuter airlines have appeared in the last 15 years to fill the gaps created by the suspension of service by regulated carriers. Commuter airlines--which are not subject to CAB rate and route regulation but which must meet FAA safety requirements--now service about 400 U.S. cities and towns. In about half of these communities, they provide the only available commercial air service. Because commuter service is economically viable at passenger levels far lower than regulated carriers, commuters can provide more frequent service to many rural communities. Operating totally without federal subsidies, commuters have become the fastest growing segment of the nation's air transport industry; passenger travel on commuter airlines is growing at an annual rate of more than 11 percent, while the long-term trend for regulated airline passenger growth is about 5 percent annually.

Recognizing that route restrictions on regulated carriers reduce competition and generally have not ensured good service to small communities, the Airline Deregulation Act of 1978 contains a number of provisions that are favorable and designed to assist the commuter airline industry in providing more service to small communities. Specifically, the Act:

- authorizes CAB to require a regulated airline to continue to provide "essential air service," and for a 10-year period to provide subsidies to the regulated carriers and/or a replacement commuter airline to assure the continuation of essential service if necessary;

- requires CAB to determine within one year of enactment (by October 24, 1979) what constitutes "essential air service" for each location served at the time of enactment (from the point of view of the community served, not just that of the carrier), and authorizes CAB to adjust these definitions and develop definitions for other locations to accommodate future needs;

- requires commuter aircraft to conform to the FAA safety requirements imposed on larger passenger aircraft to the maximum feasible extent;

- permits commuter airlines (for craft with 30 or more seats) to enter into interline agreements with trunk and local air service carriers to provide through-baggage and through-ticketing services;

- exempts from CAB regulation commuter aircrafts carrying cargo weighing less than 18,000 pounds and carrying fewer than 57 passengers; and

- makes commuter airlines eligible for the first time for FAA's loan guarantee program (for the purchase of planes and replacement parts).

Through two new initiatives designed to supplement the reforms described above, the Administration is seeking to increase the scope of assistance available to commuter airlines and/or small airports. One is an interagency agreement involving CAB, FAA, EDA, USDA, and SBA (discussed below); the other is the Administration's legislative proposal to extend the Airport Development

Assistance Act of 1970. The proposed legislation would make many additional small airports (those receiving 2,500 or more passnegers a year--an average of seven passengers or more a day) eligible for airport development grant assistance. Funds would be available for all eligible airport development, including aircraft parking areas, terminals, runways, taxiways, and emergency buildings and vehicles. Approximately 25 percent of the funds available for airport development will be used to foster small community air service. This would total about $1 billion for the years 1981-85 or approximately $200 million per year.

The purpose of the interagency agreement is to coordinate and target FAA, EDA, SBA, and FmHA grant, loan, and loan guarantee assistance to:

- commuter airlines which now provide essential air service to rural communities and/or are likely to be able to provide economically viable service; and

- small communities to install or upgrade airport facilities to attract or retain commuter air service.

In order to assure that federal assistance to these carriers and the communities they serve is provided in the most appropriate form and most effective manner the five signatory agencies agree to:

- refer applications for assistance to the other agencies for review and comment as appropriate;

- work with applicant carriers and/or communities to define appropriate "funding packages;" and

- develop coordination mechanisms and administrative procedures (beyond those alrady specified in the agreement) to ensure effectiveness of needed interagency consultation and joint funding.

The available programs and purposes for which each agency might provide assistance are discussed in the agreement (see pages 37-41). Briefly, FAA loan guarantees are for the purchase of aircraft and aircraft parts; EDA grants for land acquisition and site development; FmHA grants for industrial development and loans and loan guarantees for business development; and SBA loans and loan guarantees for small business development.

To initiate this important effort, EDA, SBA, and FmHA will target $200 million in fiscal year 1979-81 funds to commuter airlines wanting to extend rural service and to small community airports wanting to upgrade airport facilities. The Department of Transportation has requested a specific amount in loan guarantees for fiscal years 1979 and 1980 and has requested that Congress approve its intention to give first priority to commuter airlines. These loan guarantee authorizations would be used to help the smaller commuter carriers overcome the financial barriers to expanding present service and entering new markets by guaranteeing the purchase of aircraft. As some presently regulated carriers reduce service at smaller communities, the commuters will face large capital investment programs in order to bring their fleet size to the appropriate levels, and the loan guarantees will be used, when justifiable, to assist in providing essential service.

IV. Railroad Branchline Rehabilitation

Last year Congress enacted a bill proposed by President Carter that strengthened the Federal Railroad Administration's Local Rail Service Assistance program by shifting its focus away from temporary continuation of service on abandoned rail lines to capital rehabilitation of potentially viable lines that have not yet been abandoned. In support of this legislative initiative--and as a part of this transportation initiative--a Memorandum of Cooperation has been executed by the Federal Railroad Administration, the Farmers Home Administration, and the Economic Development Administration in which those agencies have agreed to coordinate and target financial and technical assistance to qualified applications for rural railroad and rail shipper facility improvement projects. The Administration also is addressing the overriding problem of excessive regulation in a comprehensive legislative proposal that will remove the most onerous aspects of government regulation and allow railroads to offer a greater range of services that are more closely tailored to shippers' needs.

Continued availability of railroads for long distance, line haul service is important to the economic development of rural America. In 1977, railroads carried more intercity ton-mile traffic than its closest competitors, the trucking and pipeline industries. Railroads are the primary line haul transporters of most bulk materials; they handle over 70 percent of coal ton-miles and 60 percent of grain ton miles. If all rail service were terminated, producers of bulk materials would suffer major market dislocations, pay higher operating costs and be confronted with the need for vast investments in new shipping and warehousing facilities.

Today, there are approximately 100,000 miles of light density lines providing transportation service for rural America. Railroads have identified a total of 16,632 miles of light density lines as likely candidates for abandonment in the next few years according to the Interstate Commerce Commission's latest published compilation of this statistic. Much of that mileage has no reasonable prospect of future viability and should be abandoned. Some

lines, however, play a vital role in local economies and substitute service is not feasible. These lines could become economically viable if they were rehabilitated. While the primary responsibility for funding such projects rests with the local beneficiaries and their state governments, there are several federal programs that provide financial assistance for railroad and rail shipper facility rehabilitation projects. The Memorandum of Cooperation signed by the three agencies will improve coordination of the various types of assistance available for rural rail transportation through the participating agencies' programs.

Through authority contained in the Local Rail Service Assistance Act of 1978 and the Railroad Revitalization and Regulatory Reform Act of 1976, the Federal Railroad Administration may now provide grant assistance to states to plan and implement projects designed to:

° rehabilitate, before abandonment, lines carrying five million gross ton miles of traffic or less per mile annually through grants or loans to railroads;

° provide alternate transportation facilities and services (e.g., team tracks for use by shippers); and

° assist in maintaining service on branchlines which have been abandoned by private rail carriers.

Sixty-seven million dollars was appropriated for this program for both FY 1978 and FY 1979 and the Administration has requested an additional $67 million appropriation for FY 1980. Of the $67 million appropriated for FY 1979, $20 million is expected to be spent for operating subsidies; $38 million for acquisition and rehabilitation; and $9 million for planning and state program administration. For FY 1980, it is anticipated that the $67 million will be used for the same purposes but with increasing emphasis on rehabilitation of non-abandoned lines. While the costs of rehabilitating individual railroad branchlines vary widely, FRA estimates that the average cost per rehabilitated mile is about $30,000.

Under the agreement, assistance through FmHA's rural development loan programs will be available to states for railroad-related projects to supplement FRA resources. FmHA will emphasize transportation projects in its rural development loan programs and accord high priority to loan applications for transportation projects. FmHA may, through authorities contained in the Consolidated Farm and Rural Development Act of 1972, provide loan and/or grant assistance to eligible applicants to assist in construction of viable transportation facilities, including railroad branchlines and rail shipper facilities.

Finally, the EDA is able to make grants, loans and loan guarantees for projects that would result in jobs for economically depressed areas. Under the Memorandum of Cooperation, EDA has agreed to make Public Works grants and loans for capital improvements in cases where such railroad and rail shipper facilities:

- will support or complement vital industrial or commercial facilities in areas defined by EDA to be economically distressed;
- will retain or create a significant number of jobs and raise income levels; and
- are specifically identified by the area as a high priority within its overall economic development program or comprehensive economic development strategies.

The Memorandum of Cooperation FRA, FmHA and EDA have signed will permit them to increase overall funding levels to support key branchlines and to provide financial and technical assistance to qualified applicants in a coordinated and efficient manner.

V. Ridesharing

With increasing gas prices and the threat of recurring shortages, many rural workers are joining the ranks (along with the elderly, the handicapped, the poor, and the young) of the transportation disadvantaged. Along with improved air service and public transit, ridesharing in carpools or vanpools offers an important option for commuters and is perhaps the best hedge against the rising costs of private transportation.

The 1970 census revealed that 13 percent of the non-metropolitan workforce commuted outside of the county of residence. Census' more recent 1975 housing survey revealed that nearly 2.1 million rural workers commute to metropolitan areas, that the average one-way commuting distance for a rural worker with a central city job is over 30 miles, and that slightly more than 22 percent of rural workers carpool.

Besides the obvious energy conservation and pollution benefits of carpooling and vanpooling--the average vanpool saves 5,000 gallons of gasoline and reduces pollution by 6 tons per year--ridesharing is important for its employment implications, as a means for getting workers to and from their place of employment. It is also an important means for transporting social service clients and as an adjunct to social service and public transportation programs.

In a vanpool, the driver rides free, has use of the van on evenings and weekends, and sometimes is allowed or is able to make a small profit. The nation's first employer-sponsored vanpool was launched by the 3-M Company in 1973, and more than 200 other companies have organized vanpools since that time. Besides employer-sponsored vanpools, two other forms of vanpooling are becoming more prevalent: operator-owned and third party-owned (e.g., labor unions, transit authorities, local governments, co-ops, etc.). Commuter vanpooling in all three of its forms has doubled each year since the 1973 oil embargo.

The following actions are designed to facilitate increased vanpooling in rural (as well as urban) areas:

- The Community Services Administration; the Economic Development Administration, Department of Commerce; and the Science and Education Administration-Extension, Department of Agriculture will encourage their local agencies--community action agencies and other community-based organizations, Economic Development Districts and Cooperative Extension offices--to organize or to assist in the support of, or otherwise facilitate, ridesharing programs in areas they serve and in program activities they sponsor or administer. The Community Services Administration will provide for priority needs of its Community Action Agencies, many of which operate vanpools in conjunction with social services outreach and delivery, in organizing vanpools by identifying grant monies in FY 1980 and FY 1981 for that purpose.

- The Departments of Transportation and Energy agree to support the ridesharing efforts of CSA, EDA and USDA by providing technical assistance and marketing materials to local agencies.

- The General Services Administration agrees to make available to these same local agencies surplus vehicles suitable for use as vans.

- DOE's Economic Regulatory Administration will initiate a program whereby vanpools registered with the state energy office or its designee may receive 100 percent of required gasoline from designated service stations during periods of gasoline shortage.

- The Department of Transportation is initiating a strengthened ridesharing program in cooperation with employers, state and local governments, and metropolitan planning organizations. The program will include demonstration grants, training and technical assistance, promotional materials and evaluation.

- As part of the initiative being undertaken by the insurance industry, NGA and the other state associations, and DOT and HEW to solve insurance problems related to social service and rural public transportation, a special effort by DOT is underway to increase the availability of reasonably priced vanpool insurance.

- The Energy Tax Act of 1978 allows employers to take a full 10 percent tax credit provided that 80 percent of the actual use of a van purchased for vanpooling was for "vanpooling purposes." Based on a review of the statute and accompanying Conference Report (S. Rep. No. 95-1324), IRS has concluded that both passenger pick-up mileage (deadheading) and maintenance mileage qualify as vanpooling mileage use. Driver incentive mileage is not considered by IRS to be a qualified use. However, it is apparent that Congress was aware that vans would be used for purposes other than vanpooling and that up to 20 percent of the mileage could be used for non-qualifying purposes, including driver incentive use.

MEMORANDUM OF UNDERSTANDING

among

DEPARTMENT OF TRANSPORTATION
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
COMMUNITY SERVICES ADMINISTRATION
ACTION
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF LABOR
GENERAL SERVICES ADMINISTRATION

concerning

IMPROVED SOCIAL SERVICE AND PUBLIC TRANSPORTATION
in
RURAL AREAS

A substantial number of social service programs are providing transportation services to rural Americans in support of the achievement of their individual agency goals. Some programs to provide more generally available transportation for rural residents have also been created, most notably the "Formula Grant Program for Areas Other Than Urbanized Areas" established by the Surface Transportation Assistance Act of 1978 (the Section 18 program). This agreement is intended to help enhance the access of people in non-urbanized areas to health care and social services, as well as to shopping, education, recreation, other public services, and employment by encouraging the maintenance, development and use of coordinated transportation services. It specifically focuses on assuring that necessary transportation resources are available in the context of ongoing programs, removing administrative barriers to coordination of services as fully and expeditiously as possible, and providing technical assistance and support to State and local officials in the development and evolution of such services.

The signatories to this agreement mutually agree to the following principles and procedures for administering their programs which affect the provision of transportation in non-urbanized areas.

I. Resources. The following actions shall be undertaken to increase the availability of resources for use in rural public transportation:

A. DOL will assist in training and assigning CETA workers to public transportation systems funded under the Section 18 program and to social service systems which are coordinated with them.

1. DOL's Office of National Programs will provide up to 1,500 slots during fiscal years 1979 and 1980 (under the Comprehensive Employment and Training Act and Title V of the Older Americans Act) for placement in Section 18 programs in 12 demonstration states.

2. DOL will utilize training materials jointly supplied by DOT and HEW and will contract with one or more appropriate organizations to train these 1,500 CETA workers (as drivers, mechanics, dispatchers, etc.).

3. DOL will work with balance-of-state prime sponsors to develop and encourage programs for the effective utilization of state CETA resources in Section 18-funded and coordinated transportation systems, and will contract with the National Governors Association to organize national and regional workshops to further this end.

B. ACTION will assign volunteers to rural and small community public transportation systems funded by the DOT Section 18 program and social service systems which are coordinated with them.

1. ACTION will include in its program procedures for volunteers some mechanism for highlighting transportation-relevant experience.

2. ACTION will utilize training materials jointly supplied by DOT and HEW and utilize, where appropriate, training facilities established by DOL for the training of CETA workers.

3. ACTION will provide information on the potential role for, and availability of, volunteers in transportation services available to the other signatories of this agreement on a regular basis.

C. The Farmers Home Administration (FmHA) of the USDA will give priority in consideration for long-term, low interest loan guarantees to those applicants who currently are providing transportation services to the general public. Specifically included are those systems funded by the DOT Section 18 program.

1. USDA and DOT will cooperate in informing their respective field staffs of the availability of these guarantees and the procedures for application.

2. The utilization of this option will be the subject of periodic review by USDA and DOT.

D. CSA will provide fiscal year 1980 funds for additional training and technical assistance, management systems, a program support for CAAs which operate and/or are coordinated with Section 18 systems.

E. The Urban Mass Transportation Administration (UMTA) of DOT will on a competitive basis, make available funds of its Section 3 and Section 16(b)(2) capital assistance programs for a period of no less than two years from the activation of the Section 18 program.

1. Funds will be administered through regular UMTA channels, but coordinated with the activities under Section 18.

2. This funding will be available to States which can demonstrate their probable capital needs exceed their Section 18 allocations for the full period of the Section 18 program's duration.

F. GSA will notify FHWA Regional Offices on a regular basis of the availability of surplus vans and other equipment suitable for rural public transportation, and will give FHWA first priority among purchasers in order to enable this agency to purchase vans at fair market price, etc., for lease or donation to Section 18 providers.

G. HEW, CSA, and ACTION will undertake special measures to assure a continuation of current transportation funding levels to small urban and rural areas. In those Federal agencies which share assistance programming with States, these measures shall be effected through active encouragement with State and local counterparts to maintain current spending levels for transportation services.

H. The signatories of the Memorandum of Understanding will assess which of their funding programs are unrestricted and may be used as match for other Federal grant programs which provide transportation services. This assessment will include a formal legal review of existing grant authorities for this purpose. This information will be used to develop a consolidated list of unrestricted funding sources which can be used by the States in connection with the Section 18 program and similar efforts. This list will be made available by the signatories to their headquarters and field staffs, with guidance that use of these funds as match is legitimate.

II. Coordination and Administrative Simplification. To overcome the barriers that inhibit the coordination and implementation of rural and small urban public transportation systems, the following actions will be taken:

A. HEW, CSA, and ACTION will issue policy memoranda and otherwise encourage those grantees currently operating transportation services to participate in coordinated efforts to form the basis by which general rural public transportation services can be structured.

B. The signatories will encourage those agencies which now purchase transportation to coordinate with rural operators funded under Section 18 by establishing supportive relationships wherever it is more cost efficient and service effective.

C. A task force composed of representatives from DOT, HEW, OMB, and six selected states will be established to develop simplified and standardized accounting, reporting, and billing procedures for use in social service/public transportation programs, and will work with the six selected states to implement and test these procedures in the first (demonstration) phase of a nationwide effort to dramatically simplify the paperwork and other administrative burdens associated with the current accoutning, reporting, and billing requirements of federal and state social service agencies.

D. The signatories to this Memorandum of Understanding will assign senior representatives to an Interagency Transportation Committee to facilitate and monitor the implementation of the agreements contained herein.

III. Technical Assistance. To provide needed technical assistance to State and local governments in administering rural public transportation, and local operators of rural public transportation services, the following actions will be taken:

A. The signatories to this agreement will designate formal points of contact in the field for State and local governments and operators to answer questions and solve problems on rural transportation related issues.

B. The signatories to this agreement will cooperate in an assessment of existing technical assistance

resources, and determination of what new initiatives are needed to integrate them more effectively.

1. An inventory of planned and ongoing research and technical assistance resources on rural and specialized transportation will be developed and periodically updated, with all signatory agencies developing lists of their own relvant activities. DOT shall be responsible for compiling these submissions and publication of a summary. The summary will be updated and reissued quarterly.

2. DOT and HEW will review the list of interagency technical assistance prodicts to determine gaps and in cooperation with state and local governments and service providers, recommend development of new initiatives.

3. An agenda of needed products and initiatives will be presented by staff of the two agencies to thier management no later than 90 days after the signing of this agreement for possible co-funding. The opportunity to participate, financially and technically, will also be given to the other signatories.

4. A strategy for more effective dissemination of existing products will also be developed and implemented.

C. HEW and DOT will co-sponsor a series of technial assistance and training activities.

1. A series of workshops on the general topics covered by this agreement will be held in conjunction with each of the Federal Regional Councils.

2. A regional series of two-day training courses on rural public transportation, targeted at Federal field staff and State-level employees, will be conducted.

IV. Agreement Duration. This agreement will be reviewed one year after its approval date by the head of each of the signatory agencies for renewal or modification.

Bob Bergland
Secretary
Department of Agriculture

Graciela Olivarez
Administrator
Community Services
Administration

Joseph A. Califano, Jr
Secretary
Department of Health, Education,
and Welfare

Samuel W. Brown
Director
ACTION

Ray Marshall
Secretary
Department of Labor

Paul E. Goulding
Acting Administrator
General Services Administration

Brock Adams
Secretary
Department of Transportation

SPECIAL SECTION 13(c) WARRANTY FOR
APPLICATION TO THE SMALL URBAN AND RURAL PROGRAM

The attached Special Warranty and the procedures incorporated therein represent the understandings of the Department of Labor and the Department of Transportation with respect to the "Formula Grant Program for Areas Other Than Urbanized Areas" (Section 18 of the Urban Mass Transportation Act of 1964, as amended).

The Department of Transportation will make this Special Warranty a part of the contract of assistance between the U.S. Department of Transportation and each state agency designated to receive and administer funds under Section 18 of the Urban Mass Transportation Act of 1964, as amended.

The Secretary of Labor has found that the terms and conditions of the Special Warranty meet the requirements of Section 13(c) of the Urban Mass Transportation Act of 1964, as amended. Accordingly, the Secretary of Labor hereby makes the certification that inclusion of these terms and conditions in formula grant contracts for small urban and rural program grants meets the requirements of Section 18(f) of the Urban Mass Transportation Act of 1964, as amended.

Secretary of Labor

Secretary of Transportation

Date: MAY 31 1979

Date: ____________________

Special Section 13(c) Warranty for Application to the Small Urban and Rural Program

The following language shall be made part of the contract of assistance with the State or other public body charged with allocation and administration of funds provided under Section 18 of the Act:

A. General Application

The Public Body ("   ") agrees that, in the absence of waiver by the Department of Labor, the terms and conditions of this warranty, as set forth below, shall apply for the protection of the transportation related employees of any employer providing transportation services assisted by the Project ("Recipient"), and the transportation related employees of any other surface public transportation providers in the transportation service area of the project.

The Public Body shall provide to the Department of Labor and maintain at all times during the Project an accurate, up-to-date listing of all existing transportation providers which are eligible Recipients of transportation assistance funded by the Project, in the transportation service area of the Project, and any labor organizations representing the employees of such providers.

Certification by the Public Body to the Department of Labor that the designated Recipients have indicated in writing acceptance of the terms and conditions of the warranty arrangement will be sufficient to permit the flow of Section 18 funding in the absence of a finding of non-compliance by the Department of Labor.

B. Standard Terms and Conditions

(1) The Project shall be carried out in such a manner and upon such terms and conditions as will not adversely affect employees of the Recipient and of any other surface public transportation provider in the transportation service area of the Project. It shall be an obligation of the Recipient and any other legally responsible party designated by the Public Body to assure that any and all transportation services assisted by the Project are contracted for and operated in such a manner that they do not impair the rights

and interests of affected employees. The term "Project," as used herein, shall not be limited to the particular facility, service, or operation assisted by Federal funds, but shall include any changes, whether organizational, operational, technological, or otherwise, which are a result of the assistance provided. The phrase "as a result of the Project," shall when used in this arrangement, include events related to the Project occurring in anticipation of, during, and subsequent to the Project and any program of efficiencies or economies related thereto; provided, however, that volume rises and falls of business, or changes in volume and character of employment brought about by causes other than the Project (including any economies or efficiencies unrelated to the Project) are not within the purview of this arrangement.

An employee covered by this arrangement, who is not dismissed, displaced or otherwise worsened in his position with regard to his employment as a result of the Project, but who is dismissed, displaced or otherwise worsened solely because of the total or partial termination of the Project, discontinuance of Project services, or exhaustion of Project funding shall not be deemed eligible for a dismissal or displacement allowance within the meaning of paragraphs (6) and (7) of the Model agreement or applicable provisions of substitute comparable arrangements.

(2)(a) Where employees of a Recipient are represented for collective bargaining purposes, all Project services provided by that Recipient shall be provided under and in accordance with any collective bargaining agreement applicable to such employees which is then in effect.

(2)(b) The Recipient or legally responsible party shall provide to all affected employees sixty (60) days' notice of intended actions which may result in displacements or dismissals or rearrangements of the working forces. In the case of employees represented by a union, such notice shall be provided by certified mail through their representatives. The notice shall contain a full and adequate statement of the proposed changes, and an estimate of the number of employees affected by the intended changes, and the number and classifications of any jobs in the Recipient's employment available to be filled by such affected employees.

(2)(c) The procedures of this subparagraph shall apply to cases where notices involve employees represented by a union for collective bargaining purposes. At the request of either the Recipient or the representatives of such employees negotiations for the purposes of reaching agreement with respect to the application of the terms and conditions of this arrangement shall commence immediately. If no agreement is reached within twenty (20) days from the commencement of negotiations, any party to the dispute may submit the matter to dispute settlement procedures in accordance with paragraph (4) of this warranty. The foregoing procedures shall be complied with and carried out prior to the institution of the intended action.

(3) For the purpose of providing the statutory required protections including those specifically mandated by Section 13(c) of the Act[1], the Public Body will assure as a condition of the release of funds that the Recipient agrees to be bound by the terms and conditions of the National (Model) Section 13(c) agreement executed July 23, 1975, identified below[2], provided that other comparable arrangements may be substituted therefor, if approved by the Secretary of Labor and certified for inclusion in these conditions.

1/ Such protective arrangements shall include, without being limited to, such provisions as may be necessary for (1) the preservation of rights, privileges, and benefits (including continuation of pension rights and benefits) under existing collective bargaining agreements or otherwise; (2) the continuation of collective bargaining rights; (3) the protection of individual employees against a worsening of their positions with respect to their employment; (4) assurances of employment to employees of acquired mass transportation systems and priority of reemployment of employees terminated or laid off; and (5) paid training and retraining programs. Such arrangements shall include provisions protecting individual employees against a worsening of their positions with respect to their employment which shall in no event provide benefits less than those established pursuant to Section 5(2)(f) of the Act of February 4, 1887 (24 Stat. 379), as amended.

2/ For purposes of this warranty arrangement, paragraphs (1); (2); (5); (15); (22); (23); (24); (26); (27); (28); and (29) of the Model Section 13(c) Agreement, executed July 23, 1975 are to be omitted.

(4) Any dispute or controversy arising regarding the application, interpretation, or enforcement of any of the provisions of this arrangement which cannot be settled by and between the parties at interest within thirty (30) days after the dispute or controversy first arises, may be referred by any such party to any final and binding disputes settlement procedure acceptable to the parties, or in the event they cannot agree upon such procedure, to the Department of Labor or an impartial third party designated by the Department of Labor for final and binding determination. The compensation and expenses of the impartial third party, and any other jointly incurred expenses, shall be borne equally by the parties to the proceeding and all other expenses shall be paid by the party incurring them.

In the event of any dispute as to whether or not a particular employee was affected by the Project, it shall be his obligation to identify the Project and specify the pertinent facts of the Project relied upon. It shall then be the burden of either the Recipient or other party legally responsible for the application of these conditions to prove that factors other than the Project affected the employees. The claiming employee shall prevail if it is established that the Project had an effect upon the employee even if other factors may also have affected the employee.

(5) The Recipient or other legally responsible party designated by the Public Body will be financially responsible for the application of these conditions and will make the necessary arrangements so that any employee covered by these arrangements, or the union representative of such employee, may file claim of violation of these arrangements with the Recipient within sixty (60) days of the date he is terminated or laid off as a result of the Project, or within eighteen (18) months of the date his position with respect to his employment is otherwise worsened as a result of the Project. In the latter case, if the events giving rise to the claim have occurred over an extended period, the 18-month limitation shall be measured from the last such event. No benefits shall be payable for any period prior to six (6) months from the date of the filing of any claim.

(6) Nothing in this arrangement shall be construed as depriving any employee of any rights or benefits which such employee may have under existing employment or collective bargaining agreements, nor shall this arrangement be deemed a waiver of any rights of any union or of any represented employee derived from any other agreement or provision of federal, state or local law.

(7) In the event any employee covered by these arrangements is terminated or laid off as a result of the Project, he shall be granted priority of employment or reemployment to fill any vacant position within the control of the Recipient for which he is, or by training or retraining within a reasonable period, can become qualified. In the event training or retraining is required by such employment or reemployment, the Recipient or other legally responsible party designated by the Public Body shall provide or provide for such training or retraining at no cost to the employee.

(8) The Recipient will post, in a prominent and accessible place, a notice stating that the Recipient has received federal assistance under the Urban Mass Transportation Act and has agreed to comply with the provisions of Section 13(c) of the Act. This notice shall also specify the terms and conditions set forth herein for the protection of employees. The Recipient shall maintain and keep on file all relevant books and records in sufficient detail as to provide the basic information necessary to the proper application, administration, and enforcement of these arrangements and to the proper determination of any claims arising thereunder.

(9) Any labor organization which is the collective bargaining representative of employees covered by these arrangements, may become a party to these arrangements by serving written notice of its desire to do so upon the Recipient and the Department of Labor. In the event of any disagreement that such labor organization represents covered employees, or is otherwise eligible to become a party to these arrangements, as applied to the Project, the dispute as to whether such organization shall participate shall be determined by the Secretary of Labor.

(10) In the event the Project is approved for assistance under the Act, the foregoing terms and conditions shall be made part of the contract of assistance between the federal government and the Public Body or Recipient of federal funds; provided, however, that this arrangement shall not merge into the contract of assistance, but shall be independently binding and enforceable by and upon the parties thereto, and by any covered employee or his representative, in accordance with its terms, nor shall any other employee protective agreement merge into this arrangement, but each shall be independently binding and enforceable by and upon the parties thereto, in accordance with its terms.

C. Waiver

As a part of the grant approval process, either the Recipient or other legally responsible party designated by the Public Body may in writing seek from the Secretary of Labor a waiver of the statutory required protections. The Secretary will waive these protections in cases, where at the time of the requested waiver, the Secretary determines that there are no employees of the Recipient or of any other surface public transportation providers in the transportation service area who could be potentially affected by the Project. A 30-day notice of proposed waiver will be given by the Department of Labor and in the absence of timely objection, the waiver will become final at the end of the 30-day notice period. In the event of timely objection, the Department of Labor will review the matter and determine whether a waiver shall be granted. In the absence of waiver, these protections shall apply to the Project.

SMALL COMMUNITY AIR TRANSPORTATION MEMORANDUM OF COOPERATION

The Chairman of the Civil Aeronautics Board (CAB); the Assistant Secretary for Economic Development (EDA), Department of Commerce (DOC), the Administrator of the Federal Aviation Administration (FAA), the Administrator of the Farmers Home Administration (FmHA) and the Administrator of the Small Business Administration (SBA) agree to cooperate in administering their agencies' programs relating to small community air service.

I. Purpose of Agreement

The Airline Deregulation Act of 1978 has simplified the procedures for suspending air service to small communities; therefore, it is likely that local service and trunk (certificated) carriers which decide to drop service to communities that is no longer profitable will be replaced either by smaller, and at present uncertificated, air carriers or by totally new entrants. Before relieving the certificated carriers of their certificate obligations, the CAB must determine that essential air service will continue to be provided for at least 10 years. If necessary the CAB may provide a subsidy to the replacement carrier as long as it determines that the replacement carrier is fit, willing, and able to perform the essential service and that the service will meet FAA safety standards.

The purpose of this agreement is to provide support for air service needs principally in rural areas which are beyond the items mandated for the CAB in the Airline Deregulation Act by ensuring that available resources are made known and accessible to these replacement carriers. Several Federal programs are available and will be committed to this type of service, because air service to small communities provides a vital link in the national transportation system. In addition to important commercial and personal travel, air transportation can provide access to emergency medical care and quick delivery of goods necessary for the operation of business.

In recognition of the fact that an impediment to an otherwise economic service by a small carrier may be the difficulty of obtaining the necessary capital to begin or expand operations, the Federal government can provide various types of assistance and will consider providing assistance when the service is expected to be economically viable within a reasonable time consistent within the intent of the legislation authorizing the particular type of assistance. That assistance could be an aircraft loan guarantee by FAA; subsidy payments by the CAB; loans or loan guarantees from the Small Business Administration; grants and business loans and loan guarantees from EDA for airport development; or loan guarantees and grants to public bodies for industrial development, loan guarantees for businesses, and insured loans for community facilities by the Farmers Home Administration.

II. General Areas of Agreement (consistent with the purpose in Section 1)

All parties agree to:

1. Cooperate in providing assistance to applicants under their respective programs, and, to the degree feasible, provide consistent administration of their programs.

2. Develop through the committee to be established a list of the available programs and the procedures and contact points for obtaining assistance from each of the signatories of this agreement and provide this information to applicants for assistance;

3. Assist other agencies by providing consultation and comment in their special areas of competence as requested and consistent with available resources;

4. Consider, as appropriate, the possibility for providing Federal resources to meritorious airport site development proposals through multi-agency funding;

5. Consider, when examining the need of an applicant for assistance, whether any of the other signatories will be providing assistance to that applicant;

6. Appoint one member at the national level to a special committee created by this agreement. The committee will oversee the implementation and the cooperative administration of the agreement. It will report to all participating agencies any problems in cooperative administration of the programs and recommend changes in this agreement. The chairman will be elected from among the members. The committee will attempt to establish guidelines for reciprocity in accepting the analysis of the first agency contacted in judging the merits of an application. Special efforts will be made to provide comprehensive information on application procedures and program content for each signatory to minimize the difficulty of an applicant in determining the best method of obtaining assistance.

III. Definition of Agency Role in the Agreement

This agreement is applicable to those areas which are within the legislatively defined limitations of each agency as follows:

CAB

The CAB is authorized to determine the essential air service requirements and, if need be, to consider subsidy support for service to those communities where the sole incumbent certificated carrier has filed to suspend service beginning with the period six months prior to the enactment of the airline Deregulation act of 1978. After January 1, 1980, the Board may also also designate additional eligible points as defined in sections 419(A) and (B) of the Act and determine essential service and subsidy, if necessary.

The Board will cooperate with the other parties to this agreement to the greatest extent consistent with the board's statutory responsibilities under section 410 of the Federal Aviation Act. The areas in which the Board will cooperate include:

1. Informing the other signatories of its decisions in determining the essential air service requirements of the affected small communities.

2. Reviewing and evaluating the effect on the provision of essential air serice of specific loans and other financial aid assistance which Federal agencies propose to grant for service or support of such service to small communities.

EDA

EDA is able to make grants, loans and loan guarantees for projects that would result in jobs for economically depressed areas. For applications referred to EDA by other Federal signatory agencies, EDA will consider, in line with its broad legislative mandate, making Public Works grants and business loans and loan guarantees for airport development in cases where such facilities:

1. Will support or complement vital industrial or commercial facilities in areas defined by EDA to be economically distressed;

2. Retain or create a significant numbers of jobs and raise income levels; and

3. Are specifically identified by the area as a high priority within its Overall Economic Development Program or Comprehensive Economic Development Strategies.

For proposals submitted directly by applicants, EDA will apply criteria as stated above in making funding determinations, as well as cooperating with the other signatories as indicated in Section II, General Areas of Agreement.

FAA

The loan guarantee program for aircraft purchases was extended for five years by the Airline Deregulation Act of 1978 and the coverage was expanded to commuter and interstate air carriers and to charter air carriers for purchase of all cargo aircraft. FAA which has the delegated responsibility for this program will provide guarantees to commuter carriers providing service to small communities consistent with the levels authorized by Congress. The primary criteria include a determination of reasonable assurance of the applicant's ability to repay the loan.

FAA will:

1. Make a financial assessment of the carrier's ability to repay the loan;

2. Assist in determining fitness of a carrier to operate essential service;

3. Consider the size of the cities the carrier serves in assessing loan applications;

4. Provide loan guarantees to eligible commuter airlines for equipment; and

5. Advise other agencies of airport development plans which relate to proposed industrial or other development.

FmHA

FmHA has three programs which can support improved transportation services to small communities seeking the designation of essential air service or eligible point under the Airline Deregulation Act of 1978:

1. Business and Industrial Loans

   Available to businesses and industries for activities which stimulate employment in rural areas that are not within the outer boundary of any city having a population of 50,000 or more and its immediate adjacent urbanized and urbanizing areas with a population density of more than 100 persons per square mile.

2. Industrial Development Grants

   Available to public bodies for development of industrial sites that in turn will aid in the development of private business enterprises in rural areas that are not within the outer boundary of any city having a population of 50,000 or more and its immediately adjacent urbanized and urbanizing areas with a population density of more than 100 persons per square mile. Funds may be used for land acquisition, access roads, utilities, building construction and fees.

3. Community Facility Insured Loans

   Available to public bodies and non-profit corporations for public use in rural areas and towns with populations of 10,000 or less. Loan funds at 5 percent interest and terms up to 40 years may be used to construct, enlarge, or improve facilities that provide essential services to rural residents.

FmHA will:

1. make financial assessment of ability to repay;

2. provide loan guarantees; and

3. provide grants or loans for industrial development and community facilities.

SBA

The Small Business Administration can make loans to small business for business construction, expansion, or conversion; purchase of machinery, equipment, facilities, supplies, or materials; and for working capital. Through this agreement, the SBA will:

1. Make financial assessment of ability of applicants to pay back loans;
2. Provide loans and/or loan guarantees to applicants who meet SBA's criteria as a small business.

Chairman
Civil Aeronautics Board

Assistant Secretary for
Economic Development
Department of Commerce

Administrator
Federal Aviation Administration

Administrator
Farmers Home Administration

Administrator
Small Business Administration

OFFICE OF THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

Rural Transportation Facilities
Memorandum of Cooperation

The Administrator, Farmers Home Administration (FmHA), and the Administrator, Federal Railroad Administration (FRA), make this agreement to cooperate in assisting rural areas of the United States to continue reliable railroad and rail shipper transportation facilities. This agreement is made pursuant to the November 2, 1978, Joint Policy Statement on railroad rehabilitation in rural areas signed by the Assistant Secretary for Budget and Programs (USDOT) and the Assistant Secretary for Rural Development (USDA).

FmHA may, through authorities contained in the Consolidated Farm and Rural Development Act of 1972, provide loan and/or grant assistance to eligible applicants to assist in construction of viable transportation facilities, including railroad branch lines and rail shipper facilities.

FRA may, through authorities contained in Section 5 of the Department of Transportation Act of 1966, as amended, provide grant assistance to States to plan and implement projects designed to:

- Rehabilitate, through grants or loans to railroads, preabandoned lines carrying three million gross ton miles of traffic or less per mile annually.
- Provide alternative transportation facilities and services; for example, team tracks for use by shippers.
- Assist in maintaining service on branch lines which have been abandoned.

Therefore, FmHA and FRA agree to cooperate in every manner possible to provide financial and technical assistance available from FmHA or FRA through their respective programs to qualified applicants for transportation assistance.

The Administrator, FmHA, will notify State Directors that transportation projects are to be included in the public service facility category and and given appropriate priority. The Administrator, FmHA, will emphasize to FmHA's State Directors the need to inform likely applicants of the eligibility of transportation related activities in rural development efforts. FmHA expects to provide an increased level of loan activity for railroad rehabilitation and rail shipper facility projects during Fiscal Year 1979 and subsequent years. The State Directors of FmHA will give prompt attention and replies to inquiries and applications for assistance under this agreement.

FRA will continue to encourage State Rail Agencies to select rehabilitation and alternative service projects that both meet the transportation needs of shippers in rural communities in a cost-effective manner and further the goals of restructuring the national rail system. Pursuant to the 1978 Local Rail Service Assistance Act, FRA will also require State consideration of the economic costs and benefits to local communities of rail service improvement as part of the State rail planning process.

FRA shall provide the Administrator, FmHA, with informational materials concerning its program procedures and objectives, annual allocation of funds memoranda, and lists of key State people administering the program for distribution to appropriate FmHA field personnel. FRA will also provide FmHA with assistance in the technical and financial review and analysis of data which may be required by FmHA in conjunction with the review of an application for FmHA loan assistance for a rail project.

FRA will notify FmHA of appropriate regional training sessions of meetings designed to inform State and local officials of the requirements of the State Rail Assistance Program. FmHA will notify FRA and appropriate State government officials of training sessions designed to provide information on the Community Facility and Business and Industrial Loan Programs.

FmHA State Directors or their designees shall contact the appropriate State government person and establish liaison and an atmosphere of cooperation which can be drawn upon when either FmHA or the State receives application(s) or notice(s) of activity on project(s) where either FmHA or the State may benefit from the expertise of the other. In this connection, FmHA shall seek written comments on all rail rehabilitation loan applications from the State agency responsible for State rail planning. FRA will request that States provide notices of public hearings on rail projects to the appropriate FmHA State official.

The Department of Agriculture and the Department of Transportation will establish a task force to monitor the implementation of this agreement and to assess the success of FmHA and FRA cooperation on rural transportation assistance. That assessment will be accomplished one year after the signing of this agreement.

This Memorandum of Cooperation will remain effective until either FmHA or FRA provided written notification that the Memorandum is no longer effective.

Requests for modifications or amendments to the Memorandum may be initiated by either FmHA or FRA. Such modifications or amendments will only be effective upon mutual agreement by both parties.

This Memorandum of Cooperation shall become effective immediately on the date it is signed by the Administrator, FmHA, and the Administrator, FRA.

Gordon Cavanaugh
Administrator
Farmers Home Administration

1/10/79
Date

John M. Sullivan
Administrator
Federal Railroad Administration

2/4/79
Date

Mortimer L. Downey
Assistant Secretary for
Budget and Programs
Department of Transportation

Date: 2/2/79

Alex P. Mercure
Assistant Secretary for Rural
Development
Department of Agriculture

Date: 2/2/79

AMENDMENT TO THE RURAL TRANSPORTATION FACILITIES MEMORANDUM OF COOPERATION

The Assistant Secretary of Commerce for Economic Development joins in the agreement executed by FmHA/USDA - FRA/DOT entitled "Rural Transportation Facilities Memorandum of Cooperation".

EDA undertakes to join in all of the implementing language of the agreement involving the exchange of information, training, technical assistance and monitoring activities.

In the event that the authority to administer any of the FmHA programs listed in the agreement is transferred to EDA during the life of this agreement, EDA undertakes to carry out all of the relevant FmHA commitments and responsibilities under the agreement.

In that event EDA undertakes to process expeditiously all applications under this agreement in the pipeline of FmHA at the time of such transfer.

EDA is able to make grants, loans and loan guarantees for proposals that would result in jobs for economically distressed areas. For applications referred to EDA by other Federal signatory agencies, EDA will consider, in line with its broad legislative mandate, making Public Works grants and loans for capital improvements in cases where such railroad and railroad shipper facilities:

(1) Will support or complement vital industrial or commercial facilities in areas defined by EDA to be economically distressed;

(2) Retain or create a significant number of jobs and raise income levels; and

(3) Are specifically identified by the area as a high priority within its Overall Economic Development Program or Comprehensive Economic Development Strategies.

For proposals to improve railroad service in rural areas submitted directly by applicants, EDA will:

(1) Refer these to FRA, as appropriate, for its assessment of the transportation aspects of such applications and the merits of providing assistance;

(2) Explore, as appropriate, with FRA and FmHA, the possibility for providing Federal resources to meritorious railroad and rail shipper facility improvement proposals through multi-agency cooperative funding.

(3) Explore, with FRA and FmHA, the possibility of developing common requirements and procedures for processing rural railroad and rail shipper facility improvement projects.

Robert T. Hall

Assistant Secretary for Economic Development
U.S. Department of Commerce

MEMORANDUM OF AGREEMENT

among

COMMUNITY SERVICES ADMINISTRATION
ECONOMIC DEVELOPMENT ADMINISTRATION
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF TRANSPORTATION
DEPARTMENT OF ENERGY
GENERAL SERVICES ADMINISTRATION

to

SUPPORT INCREASED RIDESHARING

With increasing gas prices and the threat of recurring shortages, many rural workers are joining the ranks (along with the elderly, the handicapped, the poor, and the young) of the transportation disadvantaged. Along with improved air service and public transit, ridesharing in carpools or vanpools offers an important option for commuters and is perhaps the best hedge against the rising costs of private transportation.

The 1970 census revealed that 13 percent of the non-metropolitan workforce commuted outside of the county of residence. Census' more recent 1975 housing survey revealed that nearly 2.1 million rural workers commute to metropolitan areas, that the average one-way commuting distance for a rural worker with a central city job is over 30 miles, and that slightly more than 22 percent of rural workers carpool.

Besides the obvious energy conservation and pollution benefits of carpooling and vanpooling--the average vanpool saves 5,000 gallons of gasoline and reduces pollution by 6 tons per year--ridesharing is important for its employment implications, as a means for getting workers to and from their place of employment. It is also an important means for transporting social service clients and as an adjunct to social service and public transportation programs.

In a vanpool, the driver rides free, has use of the van on evenings and weekends, and sometimes is allowed or is able to make a small profit. The nation's first employer-sponsored vanpool was launched by the 3-M Company in 1973, and more than 200 other companies have organized vanpools since that time. Besides employer-sponsored vanpools, two other forms of vanpooling are becoming more prevalent: operator-owned and third party-owned (e.g., labor unions, transit authorities, local governments, co-ops, etc.). Commuter vanpooling in all three of its forms has doubled each year since the 1973 oil embargo.

The following actions are designed to facilitate increased vanpooling in rural (as well as urban) areas:

- The Community Services Administration; the Economic Development Administration, Department of Commerce; and the Science and Education Administration-Extension, Department of Agriculture will encourage their local agencies--community action agencies and other community-based organizations, Economic Development Districts and Cooperative Extension offices--to organize or to assist in the support of, or otherwise facilitate, ridesharing programs in areas they serve and in program activities they sponsor or administer. The Community Services Administration will provide for priority needs of its Community Action Agencies, many of which operate vanpools in conjunction with social services outreach and delivery, in organizing vanpools by identifying grant monies in FY 1980 and FY 1981 for that purpose.

- The Departments of Transportation and Energy agree to support the ridesharing efforts of CSA, EDA and USDA by providing technical assistance and marketing materials to local agencies.

- The General Services Administration agrees to make available to these same local agencies surplus vehicles suitable for use as vans.

- DOE's Economic Regulatory Administration will initiate a program whereby vanpools registered with the state energy office or its designee may receive 100 percent of required gasoline from designated service stations during periods of gasoline shortage.

- The Department of Transportation is initiating a strengthened ridesharing program in cooperation with employers, state and local governments, and metropolitan planning organizations. The program will include demonstration grants, training and technical assistance, promotional materials and evaluation.

- As part of the initiative being undertaken by the insurance industry, NGA and the other state associations, and DOT and HEW to solve insurance problems related to social service and rural public transportation, a special effort by DOT is underway to increase the availability of reasonably priced vanpool insurance.

- The Energy Tax Act of 1978 allows employers to take a full 10 percent tax credit provided that 80 percent of the actual use of a van purchased for vanpooling was for "vanpooling purposes." Based on a review of the statute and accompanying Conference Report (S. Rep. No. 95-1324), IRS has concluded that both passenger pick-up mileage (deadheading) and maintenance mileage qualify as vanpooling mileage use. Driver incentive mileage is not considered by IRS to be a qualified use. However, it is apparent that Congress was aware that vans would be used for purposes other than vanpooling and that up to 20 percent of the mileage could be used for non-qualifying purposes, including driver incentive use.

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